



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON D.C. 20548

31860

JULY 29, 1985

B-202896

The Honorable Frank Annunzio  
Chairman, Committee on House Administration  
House of Representatives

Dear Mr. Chairman:

Subject: Examination of the House of Representatives  
Beauty Shop Revolving Fund's Financial State-  
ments for the Years Ended December 31, 1984  
and 1983 (GAO/AFMD-85-48)

As required by the Legislative Branch Appropriation Act, 1970 (83 Stat. 347), and in accordance with the December 17, 1984, request from the Chairman of the Subcommittee on Services, Committee on House Administration, we have examined the balance sheets of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1984 and 1983, and the related statements of operations and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

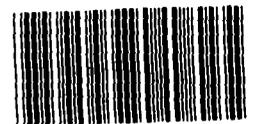
In our opinion, the financial statements referred to above present fairly the financial position of the House of Representatives Beauty Shop Revolving Fund as of December 31, 1984 and 1983, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles and the accounting policies described in note 1 to the financial statements applied on a consistent basis.

Enclosure I contains our report on internal accounting controls and compliance with laws and regulations. Enclosures II through V present the Fund's financial statements and accompanying notes for the years ended December 31, 1984 and 1983.

As required by the Legislative Branch Appropriation Act, 1970, we are sending copies of this report to the Speaker and to the Clerk of the House of Representatives.

Sincerely yours,

*Henry Eachwege*  
for Comptroller General  
of the United States



127564

Enclosures

032744

(916684)

E n c l o s u r e s

I	Report on internal accounting controls and compliance with laws and regulations	1
II	House of Representatives Beauty Shop Revolving Fund balance sheet	2
III	House of Representatives Beauty Shop Revolving Fund statement of operations	3
IV	House of Representatives Beauty Shop Revolving Fund statement of changes in financial position	4
V	House of Representatives Beauty Shop Revolving Fund notes to financial statements years ended December 31, 1984 and 1983	5

REPORT ON INTERNAL ACCOUNTING CONTROLS  
AND COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the House of Representatives Beauty Shop Revolving Fund for the years ended December 31, 1984 and 1983. Our examinations were made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our study and evaluation of the system of internal accounting control, and our review of compliance with laws and regulations for the year ended December 31, 1984. (Our report on internal accounting controls and compliance with laws and regulations for the year ended December 31, 1983, is presented in GAO/AFMD 84-61, dated September 19, 1984.)

We did not complete a study and evaluation of the Fund's internal control system for the purpose of determining the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Fund's financial statements. We concluded that it was more efficient to expand our substantive audit tests in examining the financial statements for the year ended December 31, 1984.

While we did not study and evaluate the Fund's internal control system, we did not become aware of any condition during our expanded substantive audit tests which we believe to be a material weakness. In audits where we do study and evaluate the internal control system, material weaknesses in the internal control system would not necessarily be disclosed. Accordingly, even in such cases we would not be able to express an opinion on the system taken as a whole.

As part of our examination, we also tested the Fund's compliance with applicable laws and regulations. In our opinion, the House of Representatives Beauty Shop Revolving Fund complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. Nothing came to our attention, in connection with our examination, that caused us to believe that the Fund was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

HOUSE OF REPRESENTATIVES  
BEAUTY SHOP REVOLVING FUND  
BALANCE SHEET

	December 31,	
	1984	1983
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash in U.S. Treasury	\$57,483	\$80,836
Petty cash and change funds	800	800
Accounts receivable (note 1)	100	121
Inventory of merchandise and supplies (note 1)	11,355	13,295
Total current assets	69,738	95,052
FIXED ASSETS:		
Equipment (note 1)	18,366	18,077
Less: Accumulated depreciation	13,992	13,464
Total fixed assets	4,374	4,613
TOTAL ASSETS	\$74,112	\$99,665
<u>LIABILITIES AND EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 2,448	\$ 4,191
Salaries, commissions, and benefits payable	6,359	3,533
Employees' accrued leave	8,657	8,774
Advance from House Finance Office	800	800
Total current liabilities	18,264	17,298
EQUITY OF THE HOUSE OF REPRESENTATIVES (note 2)	55,848	82,367
TOTAL LIABILITIES AND EQUITY	\$74,112	\$99,665

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVES  
BEAUTY SHOP REVOLVING FUND  
STATEMENT OF OPERATIONS

	<u>Years ended December 31,</u>	
	<u>1984</u>	<u>1983</u>
<b>INCOME:</b>		
Beauty services	\$246,124	\$254,650
Retail sales	46,804	48,967
Miscellaneous income	<u>235</u>	<u>220</u>
Total operating income	<u>293,163</u>	<u>303,837</u>
<b>OPERATING EXPENSES: (note 1)</b>		
Salaries:		
Administrative	35,890	30,440
Beauticians	93,234	106,314
Manicurists	28,424	22,243
Maids	<u>8,443</u>	<u>8,034</u>
Total salaries	165,991	167,031
Commissions (beauticians and retail sales)	34,544	25,420
Employees' benefits--government contributions	24,225	19,362
Retail merchandise	34,741	32,271
Supplies	16,969	13,567
Office	352	686
Training	-	25
Depreciation	837	795
Repairs	53	139
Bad debts (note 1)	<u>67</u>	<u>261</u>
Total operating expenses	<u>277,779</u>	<u>259,557</u>
<b>NET INCOME</b>	<u>\$ 15,384</u>	<u>\$ 44,280</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVESBEAUTY SHOP REVOLVING FUNDSTATEMENT OF CHANGES IN FINANCIAL POSITION

	<u>Years ended December 31,</u>	
	<u>1984</u>	<u>1983</u>
<b>FUNDS PROVIDED:</b>		
Net income from operations	\$15,384	\$44,280
Provision for depreciation	<u>837</u>	<u>795</u>
Cash from operations	16,221	45,075
Decrease in accounts receivable	21	-
Decrease in merchandise and supplies inventory	1,940	1,262
Increase in accounts payable	-	1,895
Increase in salaries, commissions, and benefits payable	2,826	309
Increase in employees' accrued leave	<u>-</u>	<u>126</u>
Total Funds Provided	<u>21,008</u>	<u>48,667</u>
<b>FUNDS APPLIED:</b>		
Transfer to U.S. Treasury	41,903	-
Increase in accounts receivable	-	7
Decrease in accounts payable	1,743	-
Decrease in employees' accrued leave	117	-
Purchase of equipment	<u>598</u>	<u>-</u>
Total Funds Applied	<u>44,361</u>	<u>7</u>
INCREASE (DECREASE) IN CASH	<u>\$(23,353)</u>	<u>\$48,660</u>

The accompanying notes are an integral part of this statement.

HOUSE OF REPRESENTATIVESBEAUTY SHOP REVOLVING FUNDNOTES TO FINANCIAL STATEMENTSYEARS ENDED DECEMBER 31, 1984 AND 1983Note 1. Significant Accounting Policies:

- The House Beauty Shop is under the jurisdiction of the Committee on House Administration, with direct oversight by the Subcommittee on Services (H. Res. 315, 95th Cong.).
- The financial statements do not include the costs of certain benefits and services such as space, utilities, and ordinary building repairs and maintenance which are paid from appropriated funds and not charged to the revolving fund.
- Inventories are stated at cost and are charged to operations using the first-in, first-out method.
- Bad debts expense is recognized at the time receivables are deemed uncollectible and written off.
- Equipment is depreciated over a 10-year life using the straight-line method.

Note 2. Equity of the House of Representatives

	<u>1984</u>	<u>1983</u>
Balance at beginning of year	\$82,367	\$38,087
Less: Amount transferred to U.S. Treasury	<u>41,903</u>	<u>-</u>
Balance	40,464	38,087
Add: Net income for the year	<u>15,384</u>	<u>44,280</u>
Balance at end of year (note 3)	<u>\$55,848</u>	<u>\$82,367</u>

Note 3. Future Income Transfer to U.S. Treasury

The Legislative Branch Appropriation Act, 1970, requires that, after restoring any impairment of capital and providing for replacement of equipment, the income established by GAO's annual audit be transferred to the general fund of the U.S. Treasury.

The amount of income to be transferred from the House Beauty Shop Revolving Fund to the U.S. Treasury for calendar year 1984 is \$14,856, as shown below:

Equity of the House of Representatives as of December 31, 1984		\$55,848
Capital authorized pursuant to H. Res. 1000, 90th Congress	\$15,000	
Provision for replacement of equipment:		
Accumulated depreciation	13,992	
Restricted equity	<u>12,000</u>	<u>40,992</u>
Net income to be transferred		<u>\$14,856</u>

Prior years' cumulative net income of \$107,229 has been transferred to the U.S. Treasury from the House Beauty Shop Revolving Fund.